

STATE BOARD OF LAND COMMISSIONERS

Philip E. Batt, Governor and President of the Board
Pete T. Cenarrusa, Secretary of State
Alan G. Lance, Attorney General
J. D. Williams, State Controller
Anne C. Fox, Superintendent of Public Instruction

Stanley F. Hamilton, Secretary to the Board

COTTAGE SITE SUBCOMMITTEE MEETING

November 23, 1998 1:00 P.M.
East Conference Room
Joe R. Williams Building
Boise, Id

The Cottage Site Subcommittee meeting was called to order by State Controller J.D. Williams, Chairman. The following subcommittee members were present:

State Controller J.D. Williams, Chairman
Superintendent of Public Instruction Anne C. Fox
Secretary of State Pete T. Cenarrusa

Alvin Carr, Commercial and Recreational Leasing Specialist provided the background information as presented in the board memorandum.

Mr. Carr introduced the appraisers who prepared the appraisals for the Idaho Department of Lands – Mr. John McFadden who prepared the appraisals for Priest Lake and Mr. Brad Knipe who prepared the appraisals for Payette Lake.

Attorney Greener thanked the sub-committee for their patience and their work. He stated there were a number of areas where there were disagreements. Their appraiser, Ed Morse, raised a number of issues that were discussed. There needs to be some type of closure on these issues for everyone's best interests.

Mr. Greener presented a proposal to the sub-committee. A 2 ½% figure – 2 ½% of the assessed value of the land – be used. The terms of which would be written into a new 10-year lease. He asked that a 5-year phase-in be considered. These increases will be dramatic to everyone involved.

Mr. Greener asked that the appeals process be finalized. He felt there were some i's to be dotted and t's to be crossed in that process – no major issues. He also addressed the hardship cases. He stated that he felt this process was well on the way to being resolved. He asked that the 10% surcharge be removed. He stated that the lessees needed certainty in their lives.

Superintendent Fox stated that Mr. Greener didn't mention market rent. Mr. Greener said that

would be the assessed value determined by the Valley County Assessor – assessed value of the land. He said starting with that basic concept, then we can decide where to go.

Mr. Carr stated that he wanted some clarification. He asked Mr. Greener if what he said was basically the existing rental rate formula the Land Board has now, which is the current county assessed value. Mr. Greener said it is essentially that. Director Hamilton said – except drop the 10% surcharge. Mr. Greener said to write it into the lease so the lessees have the certainty and stated again that they were also asking for a phase-in. State Controller Williams said by writing this into the lease, it would be a contract term that would be binding during the term of the lease and could not be adjusted.

Controller Williams asked Mr. Knipe, the department's appraiser at Payette Lake, about the comparison between the county assessed values and his appraisals – were they pretty close. Mr. Knipe said within about 10%. He said the problem with the assessed value is that by the time you have to give notice to the lessees, you are working with a two-year old assessed value. Controller Williams said that by virtue of the timing involved there is always a lag. Bryce Taylor stated that the grazing formula does the same thing.

Controller Williams asked how much longer the lots would continue to be assessed by the Valley County Assessor. Mr. Taylor said the current sewer assessment is due to delete this year. There will always be ongoing operating expenses at the sewer district level and stated that he felt the county would continue to assess that property.

Mr. Hervey stated that there are 14 lots that are not part of the sewer district and these may have to be added in on a contractual basis. Mr. Taylor stated that there are 14 lots outside the sewer district. A couple of these lots are being considered in a land exchange. He stated that the county has been willing to assist the department in that endeavor and applied their existing data to those lots and provided the department with a value.

Mr. Cresswell said in response of the 2 ½% of the Bonner County values, the Priest Lake Association did not like the Bonner County values and felt they were too high. Their association also feels that Mr. McFadden's appraisal is too high. He stated that without Mr. Lempesis, the association's attorney being present and without being able to consult the Board of Directors, it would be difficult to make a commitment. He did state that he would take this information back to his association and respond back to the department.

He said that one thing that would be absolutely necessary would be to have an appeal process accompany the approval of this 2 ½ % provision. He stated that he certainly liked the 5-year phase-in suggestion. Hardship – he felt there was agreement that there would be some type of provision. He stated that he would certainly hope that the 10% surcharge would be eliminated.

Mr. Cresswell stated that he came prepared primarily to let the sub-committee know why they did not like Mr. McFadden's appraisal report. Mr. Morse was present to discuss those issues.

Mr. Manos stated that the Bonner County Assessor told him that the numbers at Priest Lake were factored in. He asked Mr. Carr if the department was going to put a value on the lots at Priest Lake. He said he did not feel a factored in situation is a proper approach. Mr. Carr said there might be an option to look at this most recent appraisal by Mr. McFadden in coordination with the county on county-assessed values - up-to-date 1998 values. Mr. Manos asked if the

staff would determine this figure. Controller Williams told Mr. Manos what he felt might be done. Assuming that a formula can be arrived at, we do have about a year until this will go into effect which would be a productive time to work with any lessee who feels their values are out of line.

Mr. Taylor said the department felt this would be available to the lessee through the appeal process. He said that all counties in the state of Idaho are required to assess approximately 20% of their lands each year because it has to be updated every five years. When Bonner County initially did the appraisal of the cottage site lots – under contract a few years back – they did go out and appraise the lots. It was a mass appraisal. From that point on they use the county sales ratio to update these figures. Any new program the department did with the county would rely on the county sales ratio for an annual update. This is a standard process in all counties. Nothing different was done at Priest Lake, even though it was done under contract.

Considerable discussion was held regarding the assessed values. Mr. Carr stated the coordination the department would have with the counties under contract to get the values and the appeal process would allow any discrepancies to be brought to the attention of the department. State Controller Williams stated that he felt the Land Board would want the lessee to have the opportunity to present any data to the department they wanted. Mr. Taylor stated that the lessees would have the opportunity to bring that data to the department. He stated they may be caught again between using the county values and the department's adjustment of those values, but he felt the department could work with that. State Controller Williams said there was nothing that says the department could not make adjustments.

Mr. Taylor stated that the appeal would be available to the lessees, first to the department and secondly to the Land Board. State Controller Williams stated that he felt the Land Board would expect the department to try to work the values. They are not anxious to see very many appeals. Mr. Taylor said that given the information the department has, they would be working closely with the county. He stated that while the department will not be instructing the county as to values, he felt that the county would probably listen to suggestions.

Director Hamilton stated that at the last meeting, it was pretty much agreed that the counties would be used as an outside third party. Director Hamilton said he would not have any problem in taking information to them and ask them to take a look at it. When it comes to the final value, he said he did not think the board should be adjusting them. We may let the county know that the board doesn't agree with a value, but we should be very cautious in changing values or we don't have an outside third party.

Mr. Cresswell said it was his understanding that in the appeal process, the Department of Lands is just the first step and then there were other steps that could be taken. State Controller Williams said he felt the basic steps were: If you disagree with a value as set by the county, then you go to the department staff and let them know you don't think a value is fair, and why. Then the department has to make a decision. If you agree with the decision that's it. If you don't agree then you come to the Land Board and they make the decision. Then from there, that decision can be appealed to the District Court. It will not be a de novo appeal, it will be - did the Land Board abuse its discretion.

Mr. McFadden stated that the estimates of market value were based on sales of deeded properties. The rate of return that was applied to that came from an analysis of leasehold sales on Priest Lake of state leased lots. This was a direct indication from that precise market. It was

3 1/2% and it does consider, by definition, precisely all of these characteristics of the state leases because it came from the state leases.

Mr. Cresswell asked if the group should move ahead and discuss the appraisals and their concerns about the appraisals, assuming that there is a possibility that they would be accepted or are the lessees looking at 2.5% of the county assessed value. State Controller Williams stated that the present proposal before the Board is 2.5% of the assessed valuation from the county. This has been deferred through the year 2000 at this time. Mr. Cresswell stated that he would like to move ahead if in fact it looks like Mr. McFadden's appraisals are the ones that will be used. State Controller Williams stated that it would not be Mr. McFadden's appraisals that would be used. The reason Mr. McFadden determined market value was to see the comparison with the county appraisals. In looking at the figures, they are pretty close in most cases.

Mr. Cresswell stated that in the case of Priest Lake, 9 of the 15 lots were appraised at a higher rate and 6 were appraised less. State Controller Williams said in order to have a system, the county assessments will be used.

Mr. Greener stated that he viewed the appeal process, as taking care of problems that would arise. Any difficulties that any lessee had with the rent he was being charged, those points could be brought before the Land Board if they wished to go through the appeal process - if it got that far. Mr. Greener stated that he told Mr. Lempesis, in a phone call, that he would ask for deferment of any i dotting and t crossing on the appeal process until he returned to participate. He also stated that they would like a final decision made on this at the December 15, 1998 Land Board meeting.

State Controller Williams stated that it might be beneficial to discuss the appraisals. Even though the Land Board made the decision last year that the amount would be 2 1/2 percent of the most current available assessed valuation; the appraisers have come up with different recommendations. Priest Lake was 3 1/2 percent, Payette Lake was 6 percent if certain conditions could be met, or 4 percent if they couldn't. That 2 1/2 percent may not be written in stone. He stated that he personally did not feel it would change very much, but he could not speak for the full Land Board. He felt everyone that wanted to address this issue should have an opportunity to speak.

Mr. Morse said that his review was quite lengthy and he felt that all the issues he raised were not necessarily addressed. He stated that there were some differences in methodology and some assumptions that produced significantly different estimates. He covered several of the areas of disagreement.

State Controller Williams stated that one of the reasons the Land Board decided to go with 2 1/2 percent, they knew they were on the very low end of return on market. Looking at what the appraisers have come up with, 2 1/2 percent is 29 percent less than 3 1/2 percent or 38 percent less than 4 percent, which were the two recommendations. The Land Board recognizes that the state has not done a whole lot - is basically an absentee landlord. By going with this lower percentage, they have tried to be as fair as they could. He stated that this would probably compensate for not looking at some of the issues Mr. Morse presented. Secretary of State Cenarrusa stated that he felt the Land Board did factor those issues in when they made the determination of the 2 1/2 percent. Superintendent Fox said the Land Board felt the 2 1/2 percent seemed much fairer than the department recommendation of 5 - 6 percent. She also stated

that the Land Board needed to be careful in meeting their fiduciary responsibility to the state.

Director Hamilton commented on a previous remark that lots were not moving at Priest Lake. He stated that this is information he tracks regularly. There were three transactions at Priest Lake just this past month. There were several transactions at Payette Lake and these transactions are characteristic month after month. He stated that the transfer fees range from \$100,000 – 120,000 up to over \$200,000. This shows that the 2 ½ percent is on the low end of the scale. State Controller Williams stated that the numbers show twenty-four (24) transfers or assignments of leases this past year.

Jim Parkinson stated that the 2 ½ percent is a lot higher than the rents that were charged in 1979-80 and all the years past. He stated that the lessees and the state are in this together. If the state has mismanaged this property and perhaps it has, however, he feels that it is highly unfair to cure it on the backs of the lessees by asking them to step to the plate and pay three – four times the rent. The rent has already gone up over a thousand percent over the last few years. Mr. Parkinson said he had attended these meeting a lot of years and he doesn't want to be here any more. He said these decisions need to be cast in stone – put to bed. The lessees deserve this. The lessees are anxious to get this behind them.

Doug Cresswell said they were concerned about the process that was followed. They were disappointed that they did not have an opportunity – until after the appraisals were completed – to meet with Mr. McFadden and provide any type of input. His association felt the appraisals were high and that there was not enough credit given for improvements. They were also concerned about the 3.5 percent recommendation and feel that Mr. McFadden missed the market rent altogether. Mr. Cresswell stressed that his association did not feel their input was listened to.

Mr. Duane Bills stated that he wanted to go on record objecting to one aspect of the appraisals on the Payette Lake appraisals. He stated that he felt the lessees were being lulled to sleep on the proposition that the leaseholders have been given credit in the appraisals for the leasehold improvements. He said he did not agree with Mr. Knipe's appraisals. In view of the fact that there is a shortage of this type of property, we know the value will continue to climb. He said that for future appraisals he would expect to be credited for the leasehold improvements he puts in to the property.

Mr. Taylor stated that the 2 ½ percent would take care of this problem. State Controller Williams said the lessees need to talk to the department if they feel it was not assessed as bare land. Mr. Bills said he differed with Mr. Taylor. He said he sat down with the chief appraiser of Valley County twice in the last six months and they do not give credit for leasehold improvement, they simply go on comparable values – comparable sales. They do not deduct the improvements that have been made to my lot. You need to give credit for improvements – not to the house, but to the lot.

Director Hamilton said the appraisal instructions were very clear how to appraise those lots and he felt Mr. Knipe followed those appraisal instructions. He felt Mr. Knipe considered lots that were basically bare and unimproved in selecting the comparables he used. He stated that Mr. Knipe and Mr. McFadden may have used different techniques, but both were proper and arrived at the same point. Mr. Knipe stated that he would agree to meet with Mr. Bills and go over the appraisals with him.

Secretary of State Cenarrusa asked what is the equitable appraised value? He stated that he is confused as to what the real equitable assessed value is, because different factors are brought in. He stated that the 2 ½ percent that was arrived at to take care of these other factors is fair.

Superintendent Fox stated that she is comfortable with the 2 ½ percent and feels that it is fair. She said that the lessees were given a full year for discussion and had no raise in rentals. She felt the Board should go ahead and put this in place this next year. There will then be time to look at any hardship cases. She asked if Mr. McFadden would speak to Mr. Cresswell's concerns.

Mr. McFadden said there was no intent to avoid the lessees during the appraisals. Mr. Cresswell said he felt this was a department decision. Mr. Carr said the appraisal instructions were provided to the appraiser along with the list of lots and maps. The desire was to follow the appraisal instructions and keep the amount of involvement with the appraisers to a minimum to allow the appraiser to do his job. It was the responsibility of the department to provide the lessee concerns and issues to the appraiser.

Mr. McFadden stated that in doing work with the Forest Service, meetings were held after the appraisals in order to have documentation to show. Mr. McFadden said his draft report was a signed report that met all standards. He also stated that this did not mean it could not be revised. Mr. Cresswell questioned the comment that only 10 percent of the lake is deeded. He said he felt this was incorrect. Mr. Cresswell said virtually all the west side is Forest Service and the east side is State so no more than 10 percent is deeded. Mr. McFadden said he measured the frontage on contour maps and estimated it closer to 25 percent. In terms of lot numbers, it is probably closer to 1/3 deeded and 2/3 Forest Service and State. He stated his figures are in his report.

Mr. Cresswell asked Mr. McFadden if he would agree that deeded property is at a premium. He said the associations concern is that the prices are being driven up. Mr. McFadden stated that Priest Lake properties are premium because it is a lovely place in the world and always will be. He stated that he took his values from sales of deeded lots, but he reiterated that the rate of return came from an analysis of leasehold sales on that lake with those same consistent lots. He stated that he made sure there was consistency in the prices of the sales – the fee value prices to those used in the analysis of the leaseholds. That consistent analysis is what led to the 3 ½ percent conclusion.

Director Hamilton asked Mr. McFadden about his comment that values have gone up at Priest Lake over the last 20 years. He asked him if that was incompatible with what is going on with other lakes in other places. Mr. McFadden said he did not think so. Director Hamilton stated that this is pretty standard – anywhere.

Mr. McFadden stated that leasehold interests in lots on Priest Lake today are routinely selling for \$100,000. That is clear evidence that the existing rents are below market rents – by definition. The 3 ½ percent came from an analysis of 13 leasehold sales or 10 sales and 3 listings that have taken place over the last 2 ½ years. It was a factoring of those rents and those leasehold prices and their deeded values.

Mr. Manos said he has been at Priest Lake for 35 years and felt he had a pretty good idea of the value of the land per foot. He stated that he has no argument on the 2 ½ percent. He said he could not understand how Mr. McFadden could use fee simple property in such a comparison to lease property and exclude the federal lands.

Mr. McFadden stated that there is better data on the state leases and state leases are more comparable to state leases than the federal permits. The 5% federal return is locked for a period of time and his 3 ½% conclusion assumed annual increases so it must keep up with the moving market. Those with permits on federal land do not have control over the beachfront. They do not have control over the land between the lots. The public is invited to use that land unlike the state leases. Federal permits are really for building pads. The permit covers only the land under the buildings – not an entire leased lot area. The appraiser for the Forest Service viewed the limitation on the Forest Service lots as being so great that he valued all of them as 50-foot lots, knowing they were actually up to four times that because of the limitations that are imposed on those lots. They do not have exclusive use.

Ms. LaShaw asked if Mr. McFadden stated there was a public trail in front of the federal lots and the shoreline. Mr. McFadden stated there is a required public access corridor on Forest Service land. She said she was told the state owns to the high-water mark and was told they could not kick someone off if they were in this area. She also mentioned the public road that goes through their lot and ends at Mr. Mano's driveway. Mr. McFadden stated that he had no argument with that. He was only describing the way the appraiser for the Forest Service viewed those lots.

Mr. Greener asked if Superintendent Fox intended to discuss a phase in? He stated that some clarification of the position of the sub-committee regarding that aspect would be appreciated. Superintendent Fox said there were several things that would assist the Land Board if some preliminary suggestions were considered. First was the percentage of the assessed value. Second, is the assessed value yearly – how will it be appraised. Third is the phase-in and the fourth would be the surcharge issue.

Controller Williams said it was his understanding that the value would be assessed yearly, but there would be a 2-year lag using county appraisals. There would be annual adjustments. The sub-committee would consider the 2 ½ percent that is determined to be reasonable.

Secretary of State Cenarrusa stated that he suggested a phase-in at the last sub-committee meeting. He stated at that meeting that the lessees might want to increase the 1999 rate in order to minimize the impact of the 2000 rates. Mr. Cenarrusa said at that time, he was suggesting a one-year phase in. If the county values were out of line, the Land Board would have the ability to deal with that. State Controller Williams stated that he felt the phase-in had already been taken care of by postponing the rates. It should be the full amount in the year 2000. The full Land Board needs to make this decision. Secretary of State Cenarrusa stated that Mr. Greener agreed with a phase-in, however Mr. Lempeis stated that his association would not want a phase-in.

Director Hamilton stated that the department would look at where the bulk of the rates are and put together some figures for the Land Board to consider. State Controller Williams stated that there is some disparity in values of the lots. He stated that he did not know whether the Land Board would ever consider selling lots at Priest Lake due to the timber holdings there. He

stated that the overall plan for Payette Lake is to divest as soon as possible implementing the new Constitutional Amendments.

State Controller Williams addressed the surcharge issue. His feeling is when market value is reached the Land Board should look at removing it. Secretary of State Cenarrusa stated that it might be worth looking at a rental cap.

Director Hamilton stated that the surcharge is a sensitive issue. He stated that both appraisers indicated that there are substantial leasehold values when these properties transfer. This indicates a very clear issue that we are not at market rent. His suggestion was to leave it at 10 percent. If values drop remarkably, then there is a basis for removing it.

Mr. Bills said in lieu of a phase-in period, the Land Board could use a three-year average on the appraisals. Director Hamilton stated that this average would put the state five years behind. If you start two years behind and average the three that you have, you are using five-year-old data.

Doug Cresswell stated that the 10% premium rent is appropriate, but when full-assessed value is reached it should be eliminated. Jim Parkinson stated that a cap is a good idea. Director Hamilton stated that the cap is much preferable to elimination of the 10 percent surcharge. State Controller Williams said a cap might be a good idea, however, he informed the group that these caps will be high – not 5.3% again. Mr. Taylor said if we are at market rent, there is nothing to charge. Ten percent of zero is zero, it is self-defeating. It sunsets itself.

Director Hamilton said just because the Land Board says 2 ½ percent is the rent does not make it market rent. It is Board rent. Mr. Parkinson stated that these rates would not stabilize for several years.

State Controller Williams said it was suggested earlier to make new leases. He asked the department how much of an imposition it would be to create new leases. Mr. Taylor said there were 584 with 29 being looked at in a land exchange. It would take approximately 30 days to create the new leases; they are computer generated. Director Hamilton said this might be able to be accomplished with an amendment to the existing lease. Mr. Taylor said this might work better.

Ben Ysursa stated that there would be no reason for the six-month notice. Director Hamilton stated this was in code. Mr. Ysursa said this is statutory but it is a moot point. State Controller Williams said this is a housekeeping issue that ought to be taken care of this session.

Mr. Taylor said the department would probably send notices every year anyway. This system is in place.

Director Hamilton asked to do some clarification on one point. The department will establish the valuation on an annual basis. It will be 2 ½ percent of the appraised value. Then the Land Board gave the department permission to substitute assessed valuations wherever the opportunity arose – or seemed reasonable. It did allow leeway whenever the department was concerned with something they could get an appraisal if it fit with the terms of the Board policy.

The department would substitute assessed valuations, except where they were out of line and then comes the appeal process. If the department were setting the valuation, it would be appealed to the Land Board without any difficulty.

Mr. Greener, asked in fairness to Mr. Lempesis, that this wait until Mr. Lempesis returns to be a part of drafting this.

Mr. Greener stated that the appeal process has been pretty well covered and there does not appear to be any difficulty with this process. Mr. Taylor said he felt there was still some question whether the lessees had accepted that this was not going to be a de novo review. Mr. Greener said the associations were asking for de novo review to the District Court. He said he didn't understand what State Controller Williams articulated excluding an appeal to the District Court. He said he had been authorized by his clients to forego the request for a de novo appeal, but the lessees would still have the right to appeal. Director Hamilton suggested that legal counsel participate in this discussion. Mr. Greener concurred.

Mr. Taylor said that there had been a lot of discussion on this process earlier and all agreed that this would not be finalized at that time. It was felt that the appraisal process might bring forth some of the issues to be addressed in the appeal process. There were no motions at the Land Board to make this final.

Director Hamilton asked if we were looking at appealing all of these appraisals. State Controller Williams said only those who initiated an appeal.

Superintendent Fox was commended for her work on the sub-committee and her participation on the Land Board concerning cottage site issues.

The cottage site meeting was adjourned.

The sub-committee reconvened to cover an issue that was presented at the regular Land Board meeting. State Controller Williams stated that this issue was on the valuation of Dr. Forney's lot to be included in the Capitol Park Plaza land exchange.

Dr. Forney spoke to the sub-committee regarding the valuation of his lot. He stated that he did not feel the appraiser was fair. Some years ago, he obtained an additional appraisal from Idaho Land Appraisal or from Mountain States Appraisal. They were willing to do a new appraisal, but could not have it done by the December 2, deadline. Mr. Knipe's appraisal is the only one available.

Mr. Perry Whittaker said the original appraisal was done in June. Due to Dr. Forney's concerns about the sewer, the valuation was reduced to \$600,000. This is the only appraisal the department has to base an exchange value on. There are 28 other participants in this exchange.

Mr. Knipe said he had been through this with Dr. Forney several times and he felt his figures were a fair number. Dr. Forney said he had been a careful steward of this land for some time. He stated that he did not feel it was fair treatment. He stated his reasons for not wanting to be in the second phase of the land exchange. He said he did not know that it was going to happen and he felt the department did not know if it was going to happen. There are no guarantees.

He said he was asked to put \$600,000 in a trust hoping that something will happen. In the meantime, be a lessee.

State Controller Williams suggested to Dr. Forney that if phase II did not take place, the department would find another piece of property for him to exchange for.

Ben Ysursa said he had understood earlier Dr. Forney was in phase II. Then the department worked with Dr. Forney to get him in phase I. Mr. Ysursa stated that phase I would happen right away and suggested to Dr. Forney that he go back to phase II if he wanted to pursue discussion of values. Dr. Forney said he paid \$5,000 to be part of phase I even though he still disagrees with the valuation.

Kent Nelson, Deputy Attorney General said that his directions were to get Capitol Park Plaza land exchange put together. The department is set for closing on phase I as soon as these issues are resolved. He stated that Dr. Forney has his right to disagree with the valuations, but for purposes of this transaction, we are at the "fish or cut bait stage."

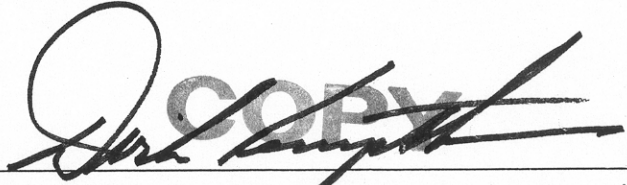
Jay Biladeau said if Dr. Forney pursues going to another phase or another property and has the property re-appraised by another appraiser it is likely that that value could come out higher. State Controller Williams reiterated that if Dr. Forney wanted to wait for another appraisal, he felt that the Land Board would look for another exchange for him.

Kent Nelson said there would be significant expense on phase II that will have to be done prior to that phase closing. We cannot find ourselves in a position where we do not know whether or not we will have a participant in phase II. The transaction is currently structured so that the values for phase II would be established the day the pen goes to the paper on the exchange agreement. It would be unfortunate to put it in jeopardy at this point because we continue to have a disagreement over values.

Director Hamilton informed Dr. Forney he would be obligated to get his own MAI appraisal. The Board can only use that appraisal in comparison to the existing appraisal. Then the difference would have to be reconciled between the two appraisals. A common value would have to be reached for department purposes. The three-appraisal route is another option in reaching agreement. Dr. Forney said that he will accept the current appraisal and decided to stay with Phase I of the land exchange.

There being no further business to be brought before the subcommittee, the meeting adjourned at 4:30 p.m.

IDAHO STATE BOARD OF LAND COMMISSIONERS

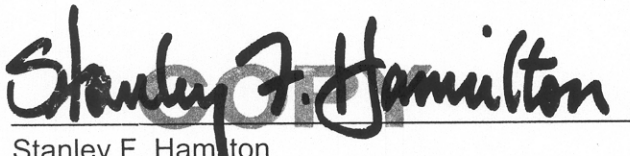
A large, stylized handwritten signature in black ink, appearing to read 'Stanley F. Hamilton', is written over a horizontal line. The word 'COPY' is printed in large, bold, black letters across the middle of the signature.

President, State Board of Land Commissioners and
Governor of the State of Idaho

A handwritten signature in black ink, appearing to read 'Pete T. Cenarrusa', is written over a horizontal line. The word 'COPY' is printed in large, bold, black letters across the middle of the signature.

Pete T. Cenarrusa
Secretary of State



A large, stylized handwritten signature in black ink, appearing to read 'Stanley F. Hamilton', is written over a horizontal line. The word 'COPY' is printed in large, bold, black letters across the middle of the signature.

Stanley F. Hamilton
Director